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THE LIFE INSURANCE PROFESSION

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Among the business professions, there is none, according to my observation, which requires more specializing and more varied talents than the profession of life insurance. Some departments of the life insurance business do not require more than an academic education. It is true that a great many persons in the past have engaged in some departments of the business who have not had even an academic education, but these for the most part have not done credit either to themselves or to the profession. A college education is helpful in every department of the life insurance business, and an actual necessity in some or most of the departments.

Before taking up in detail the preparation which students should make for the several departments of the life insurance business it is well to consider briefly:

The Origin of Life Insurance; Its Growth and Magnitude

Life insurance had its origin in the wants of the family. The spirit of true manhood and womanhood craves for means to protect dependents and render them comfortable. When wants arise within the family which it cannot satisfy, then artificial alliances immediately spring forth to provide for them. When the breadwinner of the family ceases to live, the family's want of support is the more acute in proportion to the youth or helplessness of the remaining members. It is this want that a prudent, loving husband aims to satisfy by alliance with his fellows through the medium of life insurance, which is a creature of civilization and is a most potent factor in ameliorating the condition of the human family. Its beneficence and benefits are practically unknown in uncivilized countries.

According to Gratz's "History of the Jews," organizations for mutual relief and protection to the members thereof in the event of

sickness and death were in existence from 160 B. C. The efforts, however, "To help the few by the co-operation of the many" among the nations of the classic period of history were extremely crude. Life insurance in Great Britain approximating the modern form made very little progress until the year 1760, and in the United States not until a century later or 1860. The first life insurance report published by the State of New York in the year 1859 showed ten companies having \$114,693,204 insurance in force. As indicating the progress and growth of the life insurance business, it is only necessary to refer to the fact that forty-five years later the report for the State of New York gives the business of forty-two companies representing \$10,028,090,981 insurance. The magnitude of the life insurance business can be best appreciated by comparing with bank depositors and banking and railroad capital of the United States the number insured and the accumulated assets. Moreover life insurance has an economic value far beyond its intrinsic value. Millions of persons have had their first lesson in making provision for the future through an obligation to pay a life insurance premium at a stated time. That this is true is evidenced by the fact that while the savings banks in the United States have 7,305,403 depositors, there are about 13,000,000 persons carrying life insurance. By reason of the increasing magnitude of the business, the students of this and future generations have greater responsibilities than did their predecessors.

In order to facilitate study of what is requisite for the profession of life insurance I shall discuss separately the important departments of a life insurance company, taking up each in its alphabetical order. I shall, however, merely give an outline of the principal points so as to open the mind and understanding of the student to what is implied and not expressed.

Foundation Knowledge

SECTION I. It matters not which department of the life insurance business one proposes to engage in, nothing less, as already stated, than an academic education will answer. Those departments requiring a collegiate education as a foundation, and those which should be studied only in a post-graduate course, will be indicated. While a student should not be aimless, but have a purpose in life, he should always remember that the development of a single talent

does not produce the broad-gauge all-around man who usually makes a success in any of the activities of life. Persons to whom has been committed, both in factories and in business, the training of young men, avoid, when possible, the student specialist for the reason that such a student lacks a broad, substantial foundation upon which to build. The student who proceeds on the assumption that nothing in his elementary education should be omitted, that the time for specializing does not come until near the closing of his school and college days, and who has the keen insight and foresight to make note of the character and kind of work for which he has shown the best adaptability, will find it comparatively easy to select the profession to which he, by temperament and instinct, is best adapted.

Accounting and Investment Departments

SECTION 2. In the Accounting and Investment Departments, as well as in the general clerical work, an academic education is all that is absolutely necessary, although those who possess a higher education, with consequently better disciplined minds, are always at an advantage. Life insurance accounting can hardly be said to be book-keeping; very few books are kept. The accounting is accomplished mostly through the card system. It is necessary, therefore, that the accountant should have a keen sense of order and system, and his power of analysis and reasoning must be developed; without such power he should seek other employment.

The academic or college courses calculated to develop order and system and the faculty of reasoning are, therefore, the foundation to be laid for the accounting department.

The Investment Department is more or less associated with the Accounting Department. In computing life insurance premiums, two essential elements are taken into account, i. e. mortality and interest. The computation belongs to the Actuarial Department, but the realization of the interest computed is the function of the Investment Department, under the guidance and control of the Trustees or Board of Directors. Investments must be made with great prudence, so as not only to avoid loss but to produce a return at least equal to the rate of interest assumed in the computation of premiums. The character of contracts made by the company must in a manner govern the investments. If the policies for the most part contain demand cash surrender values, then the investments

must also for the most part consist of what are known as quick assets, such as marketable or listed bonds. A full and correct knowledge of the monetary conditions of the country, of the currency, etc., is essential; also a knowledge of the law governing investments in the several States. There is required a ripened judgment which cannot be acquired without a preliminary training as to the character of bonds and securities that should be purchased, or mortgage loans that should be made. Farm mortgages, for example, have proven to be high grade securities in the case of certain companies where the loans were intelligently and properly made; in case of other companies the returns have not been so satisfactory. An experienced investor will seek the communities where there is more than average thrift and where people have accumulated enough to live upon during two or more successive years of light yield of crops, depression in trade, or other adverse conditions.

While land in the immediate neighborhood of large towns or cities is almost certain to increase in value, it is exceedingly important to take into account to what extent it will be injured by smoke from public works, or proximity of offensive kinds of manufacture, or by pollution of streams; and a further point is the determination of the extent to which the land is capable of diversified production. The physical conditions essential for good farm lands, such as average healthfulness of climate, sufficiency of rainfall to grow crops, natural fertility of soil, etc., are of the first importance. In making town or city loans there are many vital points to be considered. Aside from first class stores and office property, probably the safest, from the lender's point of view, consists of substantial freehold buildings conveniently located to car lines, and commanding a rental value which the man of average income can afford to pay. Buildings on business thoroughfares occupied as combination stores and dwellings are also safe securities. In appraising all such properties, the public improvements, schools, churches, and other attractions, always should be taken into account.

Bonds and debentures as investments require most careful consideration. As a matter of illustration, in passing on railroad securities the following questions naturally occur:—

What are the ratios of gross and net earnings respectively to the bonded debt?

What proportion does the debt bear to the capital stock?

Is the capital stock paying a dividend?

How long has such dividend been paid?

What is the market price?

What is the proportion of the net revenue to the interest charge?

It is, therefore, not only essential that the people in charge of the Investment Department should have a good knowledge of elementary mathematics, interest, ratios, percentage, and the theory of finance in general, but should be students of economic and sociologic conditions and their relation to finance. These, however important, fall short if they be not backed by a discriminating judgment.

Actuarial Department.

SECTION 3. The Actuarial is, beyond question, the most difficult and complex department of the life insurance profession. It is only during comparatively recent years that the people have come to realize the value of actuarial science and to appreciate that it is founded upon natural laws, in many respects akin to the laws of astronomy, the accuracy of which has been repeatedly confirmed. The eclipses of the sun and moon have been computed and foretold a long time in advance of their occurrence, so that the astronomer is admittedly a scientist. The actuary who deals, in his computation, with the natural laws of growth, maturity and decay, as applied to human life, cannot prognosticate as to the individual, but can, with mathematical accuracy predict the contingencies which will occur in a given time to a given number.

A student, to qualify himself for the profession of an actuary, should make himself proficient in Higher Algebra, covering such subjects as the Binomial Theorem, Permutations and Combinations, Summation of Series, Theory of Logarithms and Probabilities, Plane and Solid Geometry, Analytical Geometry, Theory of Equations, Differential and Integral Calculus, the Calculus of Finite Differences, Theory of Interest and Annuities-Certain, etc. These will lay the foundation upon which to build in a post-graduate course, or as a student in the office of the Actuarial Department of a life insurance company. There is danger of a student, in pursuing actuarial studies, getting his ideas somewhat distorted. After acquiring the foundation knowledge which is absolutely essential and receiving his degree, he is liable to conclude that the insurance fraternity is waiting to receive him with open arms, and that he will be promptly installed

as actuary of a well-established life insurance company. The student should realize that he is entering upon a progressive profession, and that having obtained the necessary foundation knowledge, some years must be spent in learning to apply such knowledge to the practical affairs of life. The duties of the profession are distinctly analytical. He finds that the natural laws which affect human life are susceptible of mathematical calculation, but also finds that social, economic and financial conditions affect the same, and hence must be studied, analyzed, and the money value of the various probabilities and contingencies determined. To this end the education and training in the college and university courses will be of the greatest value, but the student must not assume that such courses, when completed, constitute him an actuary. Furthermore, because mathematics are involved to a great extent, he must not assume that a broad, liberal education is unnecessary. He who is incapable of clearly, correctly and concisely expressing thought is always at a disadvantage. The student who, as a part of his education, will arrange to spend his vacation periods in the Actuarial Department of a well-established life insurance company, will get a much clearer and better conception, provided he be properly directed and tutored, of what is expected of the actuarial profession, than in any other way. After a student has spent a brief period in a life office and determines upon choosing the actuarial profession, he should make arrangements with the Actuarial Society of America to take the examinations for Associate Membership, as he is then better qualified to pass them than he will be at any time in the future. The subsequent examinations, however, should not be taken until he has had some office experience, and until he has mastered the text books of the British Institute, and become familiar with the Proceedings of that Institute, and the Transactions of the Actuarial Society of America.

Agency Department

SECTION 4. The Agency Department is one of the most important of the life insurance profession. In the early history of life insurance the agent was not professionally an underwriter but merely a solicitor. It was quite common for an agent to say that the rates were made and the conditions imposed by the company, and it was no part of his business to know the details, but merely to sell

the contract as it stood. That time, fortunately, is rapidly passing away. The man who is not a qualified underwriter is working under difficulties. The qualified underwriter is not only a student of human nature but of sociologic, economic and financial conditions. He is able to select the contract best suited to the needs of the individual and is capable of explaining it in every detail. True life insurance is designed to secure to dependents, or for the protection of business, the present worth of the productive value of a life in the event of death. Life insurance thus becomes an unselfish act, and is, therefore, a creature of civilization. The barbarian from natural instincts will not do unselfish things. Civilization, education, and social conditions combine, when properly presented by the underwriter, to impress people with the importance of maintaining an institution for dividing the losses of the few among the many. In other words, life insurance is a distributor of wealth and is constantly creating new social conditions. The agency system is a huge organization for the betterment of mankind. It includes in the United States in excess of 63,000 chosen men, who are daily engaged in appealing to their fellows to husband their resources to protect dependents, to lay up something for the future, to provide for the burdens of old age, etc. The general effect of these efforts, aside from the actual money involved, is worth to the people at large and to the nation the expense of the entire agency system.

The academic degrees are quite sufficient to qualify the ordinary life underwriter, but the organization work involved requires a varied talent and thorough training, to which the college and university courses, as conducted at the Universities of Pennsylvania, Michigan, Wisconsin, at Yale, and elsewhere will be found to be most helpful.

Law Department

SECTION 5. The necessities of life insurance require an efficient Legal Department in every well-regulated company. Aside, however, from this department proper, it is necessary that the persons in charge of the Investment, Agency, Actuarial and Medical Departments, should have some fundamental legal training. The student who aspires to become connected with the Law Department should secure a liberal education, in which should be included and emphasized the elementary mathematics relating to the profession and re-

ferred to in Section 3. The attorney who has no conception of ratios, percentages, etc., is always at a disadvantage in making a specialty of insurance law. He should, in fact, have the same foundation training as the actuary, but need not specialize in mathematics.

As relations between the insured and insurer, agent and principal, are almost entirely contractual, it is of the utmost importance that the law of contracts be thoroughly and entirely understood. The law of agency must be mastered, and in certain branches of insurance the law of negligence is of prime importance. An attorney, to be fully equipped for general insurance practice, should have a thorough understanding of equity jurisprudence, because in the varied relations and situations arising out of the multitude of insurance contracts, resort is often necessary to the equity side of the court to determine the rights of the parties. It is necessary that an insurance law specialist should have a general knowledge of all the branches of law so as to properly represent the Investment Department. To do this means a thorough knowledge of real property law. He must also master constitutional law if he would qualify himself to care for the interests of the company in the various States where legislatures enact laws affecting the rights of corporations. The law of insurance which also comprehends medical jurisprudence is becoming recognized as a very important department of the legal profession.

Medical Department

SECTION 6. The student of medicine, for even general practice, should be a college graduate, but if he has less than an academic education he is totally unfit for the important position of medical examiner. The life insurance companies in 1905 expended about \$10,000,000 to compensate medical examiners for the service rendered. Every qualified physician is naturally eager to secure the patronage of the companies. The companies, in return for the money expended, expect both faithful and efficient service. This cannot be rendered without proper preliminary training. The qualified medical examiner should have a clear conception of the contractual relationship existing between the applicant and the company and should thoroughly understand his part of the responsibility. The carelessness and inefficiency of medical examiners have resulted in much perplexity, litigation and disappointment. The first and most im-

portant conception is that of the legal and ethical relationship between the examiner and the company. He is employed by the company and as a matter of good conscience should serve it first. He is liable to be influenced by considerations favorable to both the agent, who would lose his commission, and the applicant who would be deprived of insurance, in case of adverse action on his part. The medical student should be taught to look beyond the individual next to him toward the general welfare, which he will best serve by keeping faith with his company.

On a foundation of theoretical medical training, the medical examiner should have built up a superstructure of practical experience with actual cases of both health and disease in its various manifestations, so that he can transfer, for the medical directors' consideration, a word picture of the applicant as he actually is. The curriculum of the medical schools, for the development of efficient medical examiners, should give special emphasis to diagnosis throughout all the major courses, such as surgery and medicine, and the other and more special branches, such as diseases of the eye, upper air passages, ear, the study of the skin, the study of the nervous system, etc.

In order to acquire the practical experience in discriminating diagnosis, the clinics and the out-patient departments of every accessible hospital should be haunted by the student. Special stress should be given to the practical work upon medical and surgical diagnosis. Pathological findings should be studied with the clinical history and symptoms.

Too much stress cannot be laid upon the ability to make an absolutely true diagnosis. The medical directors' prognosis must, of necessity, be based upon the medical examiner's diagnosis of health. It will not do for the examiner to record symptoms and report them, but with the applicant before him, and brought there for investigation, it is his duty and business to make a positive diagnosis. For example, suppose the applicant should have a swollen, tender, painful knee,—to report that to the medical director would be of no help to him. He would want to know at once whether it was "traumatic synovitis" or what. Again, if the medical examiner should report a cough lasting for some time, that would be no information; the question with which the medical

director must deal is, What caused the cough? Is it due to an "elongated uvula," or what?

It is a fact, which the record of every insurance office clearly shows, that the medical examiners, as a class, do not have a proper and keen appreciation of what is expected of them and of that for which they are paid. Comparatively few are properly equipped for making intelligent urinalysis, and still fewer for microscopic investigation. The medical student, to be qualified for making life insurance examinations, should know something of the history of life insurance, the meaning of mortality tables, and the conclusions to be drawn from them; of the selection of risks and the elements entering therein; the various forms of policies, and the effect they have upon both applicant and company; and should be thoroughly drilled in the proper relation to agent, applicant and company. The student should have some foundation legal knowledge of contracts and also of medical jurisprudence. The ability to pathologically cross-examine an applicant so as to develop what he knows about himself,—and that is generally all that is worth knowing,—is of the first importance. It should be remembered that admission on the part of the applicant of impaired personal or family history may defeat the insurance for which he is applying, and it is reasonable, therefore, that he may not volunteer information and may even attempt to conceal it; hence, the importance of the examiner having a proper conception of the best way of developing the truth without seemingly discrediting or antagonizing the applicant. This, as a rule, can be best accomplished by starting with a complete history of medical attendance, duration of attendance in each case, the name of the physician, and the diagnosis given by him. It should be remembered that what the applicant states and admits and subscribes to he is responsible for, but he is not responsible for the opinion of the medical examiner, which is valueless to the company unless it be based upon facts. The medical student's curriculum should include a work entitled "Stratagems and Conspiracies to Defraud Life Insurance Companies."

Statistical Department

SECTION 7. While there is a connection between the Statistical and Actuarial Departments, there is undoubtedly a distinct

field for the insurance statist. He is not expected merely to tabulate and compile, but is expected to interpret as well. His interpretations, based upon statistics, should be used by the Actuarial and Executive Departments, and also the Board of Directors, in determining upon lines of action. Unless the student has an actuarial aptitude, and is specially endowed for the work of a statist, he will consider it drudgery, and will be out of his element. He must possess a natural ability for both analysis and synthesis. In the matter of training, the ordinary college course, with sociology and statistics as majors and with economics and mathematics among the minors is a prerequisite.

A knowledge of mathematics as far as the Calculus, Integral and Differential, while not absolutely necessary, is helpful. Statistical problems are frequently solved by resort to Calculus.

The value of economics to the student of statistics lies more in the mental training than in the statistical practices. The chief value of course in economics, will come from the refinement of reasoning and keenness of analysis which the student will be called upon to give to the work in its theoretical aspects. The science of statistics, and sociology are closely related; in fact they are interdependent. The study of sociology affords an unlimited field for the application of statistical methods. Beginning with the population as a whole, the student traces and measures its distribution geographically, topographically, etc. The study of its movements involves the measurement of immigration, of interstate migration, and of the movement to cities within the state. The study of its composition involves its analysis into component parts and opens up the subjects of sex, race, nationality, age, etc., all of which are exceedingly important from the life insurance point of view. The measurement of its growth opens up the whole field of vital statistics, marriages, births, sickness, deaths; these subjects, and especially the last, mortality, should be studied in every possible relation. The study of cause of death will lead the student to take short excursions into medical science and give him a grounding in nosology. In studying the deaths themselves the differing mortality of the various population elements,—sex, race, etc.,—should be measured, and the effect of occupation, of climate, of agglomeration, etc., traced.

The student, pursuing a four years' course, will be confronted,

up to the day of graduation, with problems for observation, research, and statistical treatment, the solving of which will aid in qualifying him to take up insurance statistics. A student who has had the foundation of a collegiate training in sociology and in the science of statistics may then, with some degree of confidence of success, enter upon the field of insurance statistics which will require him to appraise, compare, analyze, deduce, or, in a way, interpret.

It is hoped that the glimpses given of the required qualifications will stimulate students to improve their opportunities. The call is insistent to-day for qualified men. It seems certain, moreover, that the future will see a degree of development in life insurance that will make the present seem circumscribed in comparison. No one of proper mind, who thoroughly prepares himself, need fear lack of opportunity in this field of science and action.